

**Developing Good Banking Habits: A SIMULATION**

Jan Calvi works for an insurance company. Her weekly take-home pay is \$235.10. Jan makes payments on her car, has both a checking and savings account at the First National Bank, and shares an apartment with her friend, Wendy Thompson. She tries to keep within her budget and usually succeeds—until last month! Then everything went wrong. When Jan tried to reconcile her bank statement for August, she discovered that her checkbook balance did not match the bank statement balance. Jan was busy and did not want to take the time just then to find any errors, so she crossed out her checkbook balance and recorded the adjusted bank balance as shown on the bank form below in her check register (see page 48). Jan then continued to write checks. A little later, the bank notified Jan that she had overdrawn her account.

TO RECONCILE BALANCE AS SHOWN ON STATEMENT		
ENTER BALANCE SHOWN ON STATEMENT	\$	320 06
LESS: OUTSTANDING CHECKS	-	262 08
TOTAL	\$	67 98
PLUS: LATE DEPOSITS	+	
ADJUSTED BANK BALANCE	\$	67 98 *
ENTER CHECKBOOK BALANCE	\$	21 44
LESS: SERVICE CHARGES AND/OR OTHER MISC. CHARGES	-	5 00
REVISED CHECKBOOK BALANCE	\$	16 44 *

\*THESE SHOULD AGREE

Jan has asked you to help her find and correct the errors in her check register. Answer the questions and follow the directions.

1. Check Jan's arithmetic in the form above. Are her calculations correct? Explain.

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2. Early in September, Jan wrote a check for \$32.00 for work on her car (see Check 243 in the check register on page 48). To her surprise, she received notice from the bank that she had overdrawn her account. Jan called the bank to find out what had happened. She was told that check 202 for \$40.00, written in May, had just cleared. What should Jan have done before she recorded the adjusted bank balance from her August bank statement as the new balance in her check register?

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3. Jan's bank agreed to hold Check 243 until she could transfer money from her savings account to her checking account. On September 4, Jan used an ATM to transfer \$50 to her checking account. She dropped the ATM receipt in her purse, thinking that she would record the transfer in her check register later. In the meantime, the bank charged her account \$10 for the overdraft, of which Jan had been informed when she called. What should Jan have done to keep track of these changes in her account balance?

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4. Why do you think it is not a good practice to keep a very low balance in your checking account?

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5. Why do you think it is a good idea to keep up-to-date in reconciling your bank statements and in trying to identify the reasons for any differing balances?

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6. One error that is easy to make is to record the amount of a check incorrectly in the check register. Jan did this when she wrote Check 248. Look at the check below and then look at the check register on page 48:

JAN CALVI Apt. 73B 248 San Fernando Dr. San Francisco, CA 94108-8521		September 15	19	0248 30-507 1213
Pay to the Order of	Carver Automobile Insurance	\$	243 <sup>23</sup> / <sub>100</sub>	
Two hundred forty-three and <sup>23</sup> / <sub>100</sub>				DOLLARS
FIRST NATIONAL BANK San Francisco, CA 94108				
Memo	Jan Calvi			
1:12130507*****905 517 9***0248				

What amount should Jan have recorded in her check register?

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**Developing Good Banking Habits: A SIMULATION (continued)**

7. Sometimes Jan forgets to enter the amount of a check when she writes it. Then she has to wait until she receives her next bank statement to record the amount of the check in her check register. In the meantime, she has only a rough idea of what her balance is. Do you think this is a good practice? Explain.

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8. Another common error made in keeping a check register is carrying the wrong balance from one page to another. Look at the check register on page 48: What mistake do you see in the balance carried from the bottom of the page to the top of the next page?

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9. Jan also made two subtraction errors in her check register. What are they?

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10. Now help Jan correct her check register as shown on page 48. Begin by recording the correct amount for the adjusted bank statement balance for August. Then correctly record the information shown on Jan's check register on page 48. Include the information in questions 1 to 9 to make sure you account for all the amounts that must be added or subtracted.

11. Jan has just received her September bank statement, which you are to reconcile for her. Use the form on page 50. You will need the information below.

- a. The bank statement balance is ~~\$739.10~~ <sup>\$339.10</sup>.
- b. Check 250 to Ridgely Corporation was not returned with the bank statement.
- c. There are no outstanding deposits.
- d. The regular service charge of \$5.00 appears on the statement.

What is Jan's adjusted checkbook balance after you have reconciled her September bank statement?

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RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT									
Check Number	Date	Description of Transaction	Payment/ Debit (-)	✓	Deposit/ Credit (+)	Balance Forward			
	8/30	Bank service charge August	5 00			<del>21</del>	<del>44</del>		
	8/30	Bank statement balance (August)				<del>5</del>	<del>00</del>		
						<del>16</del>	<del>44</del>		
243	9/2	Til's Service Station oil change/repairs	32 00			67	98		
	9/6	Deposit (pay check)			235 10	32	00		
						35	98		
244	9/7	Midland Telephone August bill	21 77			235	10		
						271	08		
245	9/8	Community Electric August bill	28 30			21	77		
						249	31		
						28	30		
						221	01		

  

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT									
Check Number	Date	Description of Transaction	Payment/ Debit (-)	✓	Deposit/ Credit (+)	Balance Forward			
						221	01		
246	9/11	Hays Shoe Store navy shoes	45 98			45	98		
	9/13	Deposit (paycheck) (less \$35 in cash)			200 10	176	03		
						200	10		
247	9/14	Concert Masters concert ticket	24 00			376	13		
						24	00		
248	9/15	Carver Auto. Insurance 6-month premium	240 23			352	13		
	9/20	Deposit (pay check)			235 10	240	23		
						211	90		
	9/23	Cash withdrawal ATM	40 00			235	10		
						447	00		
249	9/24	Credit Union car loan	194 00			40	00		
						407	00		
						194	00		
						223	00		

REMEMBER TO RECORD AUTOMATIC PAYMENTS/DEPOSITS ON DATE AUTHORIZED

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT									
Check Number	Date	Description of Transaction	Payment/ Debit (-)	✓	Deposit/ Credit (+)	Balance Forward			
	9/27	Deposit (pay check)			235 10	232	00		
						235	10		
						467	10		
250	9/27	Ridgely Corp. Sept. rent	320 00			320	00		
						147	10		
	9/30	Bank service charge Sept. statement	5 00			5	00		
						142	10		

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT										
Check Number	Date	Description of Transaction	Payment/ Debit (—)		✓	Deposit/ Credit (+)		Balance Forward		

  

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Check Number	Date	Description of Transaction	Payment/ Debit (—)		✓	Deposit/ Credit (+)		Balance Forward		

REMEMBER TO RECORD AUTOMATIC PAYMENTS/DEPOSITS ON DATE AUTHORIZED

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT										
Check Number	Date	Description of Transaction	Payment/ Debit (—)		✓	Deposit/ Credit (+)		Balance Forward		



# BANK RECONCILIATION FORM

[illegible]

TO RECONCILE BALANCE AS SHOWN ON STATEMENT		
ENTER BALANCE SHOWN ON STATEMENT	\$	
LESS: OUTSTANDING CHECKS	-	
TOTAL	\$	
PLUS: LATE DEPOSITS	+	
ADJUSTED BANK BALANCE	\$	
ENTER CHECKBOOK BALANCE	\$	
LESS: SERVICE CHARGES AND/OR OTHER MISC. CHARGES	-	
REVISED CHECKBOOK BALANCE	\$	

\*THESE SHOULD AGREE